

REPORT BY THE MIGRATION ADVISORY COMMITTEE INTO MIGRATION FROM THE EUROPEAN UNION

The Migration Advisory Committee (MAC) this week published its report into the effect of EU migration and recommendations for a future immigration policy. Essentially this concluded that the UK should be prioritising high-skilled labour and limiting low-skilled migration. It concluded that EU migration policy should be aligned with non-EU migration, while recognising the latter needs reform. This could change if Government wished to include migration as an issue in trade negotiations. UKH representations were reflected but there is more to be done to ensure the sector has the supply of labour that it needs to thrive.

What is the Migration Advisory Committee and what has this week's report been about?

The MAC is an independent advisory body made up of academic labour economists who are serviced by a small Civil Service secretariat. They advise Ministers on technical aspects of the immigration system. Until this week's report, they concentrated their attention on non-EU migration because, as members of the EU, the UK has been covered by the Free Movement policy and immigration policy for EU citizens has been determined at an EU level. Last year, however, the then Home Secretary, Amber Rudd, asked the MAC to review the impact of EU migration on Britain and recommend what the country's immigration policy should be post Brexit.

Aren't we going to keep Free Movement during the Transition Period?

As things stand at the moment, Britain leaves the EU at the end of March 2019. The intention is that we stay covered by its laws until December 2020. Free movement of EU nationals would continue during this so-called Transitional Period. But, whilst the principle of the Transitional Period has been agreed, 'nothing is agreed until everything is agreed'. It is part of the Withdrawal Agreement and, as we all know, that has not been agreed. The government have not yet said what would happen to Free Movement in the 'no deal' scenario which, of course, remains a possibility at the present time.

What are the present arrangements for immigration into the UK from outside the EU?

These arrangements are, of course, covered by UK law. Essentially, there are five routes for primary immigration - known as Tiers. Tier 1 covers entrepreneurs and high net worth individuals; Tier 2 covers Intra-Company transfers and 'high-skilled'/graduate level entrants subject to a minimum salary (£30,000); Tier 3 (never used) is for unskilled/low skilled entrants; Tier 4 is for students; and Tier 5 is a 2 year visa for 18 -30 year olds from 8 countries only - the Youth Mobility Scheme. There are rules for secondary immigration - essentially family members of people already settled in the UK. The important thing to note is that Tier 3 has never been used because, with Free Movement in operation, it has been judged that there was no need for it.

The Migration Observatory at Oxford University has estimated that 96% of EU nationals who work in the Hospitality industry would not be able to enter the country through the non-EU immigration system. That's because they do not meet the current requirements for entry under Tier 2.

What were the main conclusions of the MAC Report?

The key recommendation of the MAC was that, once Britain leaves the EU, there should no longer be any form of preferential treatment for EU citizens. They should be treated on the same basis as citizens from outside the EU. They envisage the application of the 5 Tier model to all citizens. In making this recommendation, they suggested that the present numerical limit placed on general Tier 2 entrants be discontinued and the skills threshold

reduced from graduate level to something called Level 3 - basically equivalent to A levels. But the £30,000 salary would apply. This would mean that a higher number of professional/managerial people would be able to enter the country.

But, crucially, the Tier 3 route would remain closed as the MAC report concluded that there should be no immigration pathway into the UK for 'low skilled' entrants. The only potential routes would remain secondary legislation for family members, students (subject to a restriction on hours that can be worked) and people coming in under the Youth Mobility Scheme.

Why did the MAC reach such a conclusion?

It's clear that members of the MAC have placed importance to the economic contribution of immigrants coming into the country and concluded that the contribution is greater from 'high skilled' people than for 'low skilled' people. In their report - branded as 'ignorant and elitist' by some - they suggest that the Youth Mobility Scheme could be expanded to EU countries if the Government wanted to 'open up' a route for 'unskilled workers'. But their report does not attempt to answer the question of why certain industries - ours, the food processing sector, warehousing and logistics - have become so reliant on EU nationals.

Will the MAC Report be implemented and what would be the effect on the Hospitality sector?

The MAC is an advisory body and Ministers have made no statement on the subject since it was published. It is the Government's intention to publish an Immigration White Paper in the Autumn and then bring in an Immigration Act to provide for a new immigration policy for post Brexit Britain.

Were the Government to accept the MAC's recommendations, the effects on the Hospitality sector would be serious. Labour shortages are already acute and any restriction on labour supply will make a hard situation even worse. There is a limit to what can be done on pay - we are about two-thirds of the way through the implementation of the National Living Wage target of 60% of average earnings by 2020. There would be serious consequences for operations, quality and service levels, margins and future investment. Just as Free Movement has been a strategic advantage for our industry, so a restrictive regime would become a strategic threat.

What can be done about the MAC Report and what is the approach of UKHospitality?

The 'extreme' and dogmatic nature of the MAC report provides the best basis for criticism of it and there has been a huge level of business and professional protest since its publication. This has not been confined to our sector, food processing etc. but the wider business community sees it as damaging to the UK economy. In some ways the argument is a continuation of the Referendum argument: economic growth versus high immigration. But we will be pressing Ministers and MPs for an understanding of the needs of our sector - especially in an environment of low unemployment.

But businesses would be prudent to plan and prepare for a substantially tighter labour market in the months and years ahead. As we have seen in recent months, the number of new EU nationals coming into Britain is reducing (for a number of reasons) and there is no reason to believe that this will change. Even more attention will need to go into measures to increase workforce retention and businesses that prioritise recruitment efforts among school and college leavers and potential returners to the labour market in their area will continue to have a commercial advantage.

If you have any further questions about the MAC report, please call our Employment Adviser, John Guthrie on 07976 960388 or email him at jguthrie@ukhospitality.org.uk